

June 25, 2012

**For Immediate Release**

6-8-7 Ginza, Chuo-ku, Tokyo  
Frontier Real Estate Investment Corporation  
Hirohiko Kamei, Executive Director  
(Securities Code : 8964)

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**Notice Concerning Issue of New Investment Units and Secondary Offering**

Frontier Real Estate Investment Corporation (the "Investment Corporation" or "FRI") hereby announces that it has resolved at the Board of Directors meeting held today, June 25, 2012, to issue new investment units and to conduct a secondary offering as follows:

**1. Issue of New Investment Units by Public Offering (Primary Offering)**

- |  |  |
|--|--|
| (1) Total number of new units to be issued | 31,000 units   |
| (2) Paid-in amount (issue value)           | To be determined<br><div style="border-left: 1px solid black; border-right: 1px solid black; border-bottom: 1px solid black; padding: 5px; margin-left: 20px;">The issue value for new units will be determined through resolution by the Board of Directors at a meeting to be held on any day from July 3, 2012 (Tuesday) to July 6, 2012 (Friday) (inclusive) ("Date for Determination of Issue Price etc.").</div> |
| (3) Total amount of issue value            | To be determined   |
| (4) Offering method                        | New units are to be offered through public offering, underwritten by the following 8 underwriters (collectively, the "Underwriters"), including 2 joint lead managers (collectively, the "Lead Managers") :<br>SMBC Nikko Securities Inc.<br>(Lead Manager);<br>Daiwa Securities Co. Ltd.<br>(Lead Manager);   |

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Nomura Securities Co., Ltd. ;  
Mizuho Securities Co., Ltd. ;  
UBS Securities Japan Ltd. ;  
Tokai Tokyo Securities Co., Ltd. ;  
Merrill Lynch Japan Securities Co., Ltd. ;  
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ;

The issue price (offer price) for the public offering will be determined by taking into consideration market demand for the issue, provisionally calculated by applying the closing price for the Investment Corporation's investment securities ("FRI Units") on Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on the Date for Determination of Issue Price etc. (if no closing price is available on that date, then the closing price for the most recent date prior to the Date for Determination of Issue Price etc. where a closing price is available), multiplied by 0.90 to 1.00 (resulting amounts less than ¥1 shall be disregarded).

(5) Underwriting agreement

The Investment Corporation will not pay an underwriting commission to Underwriters. Instead, underwriting fees applicable to the issue will be the difference between the total issue price (offer price) for the public offering and the total paid-in amount (issue value) to be paid by the Underwriters to the Investment Corporation on the payment date stated in Item (8).

(6) Offering period

From July 9, 2012 (Monday) to July 10, 2012 (Tuesday)

The above offering period may be moved forward depending on market demand and other factors. It can be moved forward to the period between July 4, 2012 (Wednesday) and July 5, 2012 (Thursday) at the earliest case.

(7) Offering unit

1 unit or more in multiples of 1 unit

(8) Payment date

July 13, 2012 (Friday)

The above payment date may be moved forward depending on market demand and other factors. It

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can be moved forward to the period July 10, 2012 (Tuesday) at the earliest case.

- (9) Delivery and settlement date                      The business day immediately following the payment date
- (10) Issue price (offer price), paid-in amount (issue value) and other matters necessary for the issue of new investment units will be decided at the Board of Director's Meeting to be held hereafter.
- (11) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Law.

### **2. Secondary Offering (through Over-Allotment)**

- (1) Seller    SMBC Nikko Securities Inc.
- (2) Number of units to be offered                      2,500 units  
The number of units to be offered represents a maximum number of units to be offered through over-allotment, which may be reduced, or the offering through over-allotment itself may be cancelled, depending on market demand and other factors. The number of units to be offered will be determined at the Board of Directors' meeting held on the Date for Determination of Issue Price etc. after taking into consideration market demand and other factors.
- (3) Offer price    To be determined  
It will be determined at the Board of Directors' meeting held on the Date for Determination of Issue Price etc. The offer price will be the same as the issue price (offer price) for the public offering.
- (4) Total amount of issue value                              To be determined
- (5) Offering method    SMBC Nikko Securities Inc., will carry out the secondary offering of FRI Units borrowed from Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan"), a unitholder of the Investment Corporation, the maximum number of which shall be 2,500,

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after due consideration of market demand and other factors in the public offering.

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| (6) Offering period  | The same period as the offering period in Primary Offering stated in Section 1, Item (6). |
| (7) Offering unit  | 1 unit or more in multiples of 1 unit   |
| (8) Delivery and settlement date   | The same period as the offering period in Primary Offering stated in Section 1, Item (9). |
| (9) The offer price and other matters necessary for this secondary offering of units will be decided at the Board of Directors' Meeting to be held hereafter.          |   |
| (10) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Law. |   |

### **3. Issue of New Investment Units by a Third-Party Allotment (Third-Party Allotment)**

- |  |   |
|--|---|
| (1) Number of units to be issued               | 2,500 units   |
| (2) Allottee and number of unties to be issued | SMBC Nikko Securities Inc.<br>2,500 units   |
| (3) Paid-in amount (issue value)               | To be determined<br><div style="border-left: 1px solid black; border-right: 1px solid black; border-bottom: 1px solid black; padding: 5px; margin-left: 20px;">It will be determined at the Board of Directors' meeting held on the Date for Determination of Issue Price etc. The issue value will be the same as the issue value for the public offering.</div> |
| (4) Total amount of issue value                | To be determined  |
| (5) Offering period                            | The second business day immediately following the 30 <sup>th</sup> day reckoned from the next day of the end of the offering period of primary offering and secondary offering.   |
| (6) Offering unit                              | 1 unit or more in multiples of 1 unit   |
| (7) Delivery and settlement date               | The third business day immediately following the 30 <sup>th</sup> day reckoned from the next day of the end of the offering period  |

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of primary offering and secondary offering.

- (8) Paid-in amount (issue value) and other matters necessary for this Third-Party Allotment offering of units will be decided at the Board of Directors' Meeting to be held hereafter.
- (9) If no payment shall be made for all or a part of the investment units issued, by the delivery and settlement date set forth above, then the issue of such units shall be cancelled.
- (10) If the primary offering is cancelled, then the issue of new investment stocks through a third-party allotment shall also be cancelled.
- (11) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Law.

### **<Reference>**

#### 1. Secondary Offering by Over-Allotment etc.

- (1) A secondary offering by over-allotment may be affected by SMBC Nikko Securities Inc., the lead manager of the public offering, after considering demand and other conditions, of up to a limit of 2,500 units borrowed from Mitsui Fudosan, a unitholder of the Investment Corporation ("secondary offering by over-allotment"). The number of units to be offered through the secondary offering by over-allotment is the upper limit and may be reduced, or the offering through over-allotment itself may be suspended, depending on demand and other conditions.

In order to cause SMBC Nikko Securities Inc. to acquire FRI units necessary to repay the borrowed units by SMBC Nikko Securities Inc. in connection with the secondary offering by over-allotment, FRI resolved, at the Board of Directors meeting held today, that 2,500 new units of FRI be issued and allocated to SMBC Nikko Securities Inc. ("third-party allotment") with delivery and settlement date on the third business day after the 30<sup>th</sup> day reckoned from the next day of the end of the offering period of primary offering and secondary offering by over-allotment.

In addition, SMBC Nikko Securities Inc. may, within the period commencing on the day immediately following the end of the offering period for the public offering and the secondary offering by over-allotment and ending on three business days before the delivery and settlement date of the third-party allotment ("syndicate cover transaction period"), purchase up to the maximum number of FRI units sold in the secondary offering by over-allotment on the Tokyo Stock Exchange ("syndicate cover transaction") with the aim of repaying the borrowed units. All FRI units procured by SMBC Nikko Securities Inc. through syndicate cover transaction will be

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allocated to repay the borrowed units. During the syndicate cover transaction period, SMBC Nikko Securities Inc. may, at its discretion, choose not to enter into any syndicate cover transaction, or to terminate such transaction prior to reaching the maximum number of units to be issued in the secondary offering by over-allotment.

Moreover, SMBC Nikko Securities Inc. may enact stabilization transactions in relation to the public offering and secondary offering by over-allotment, and allocate all or part of the FRI units purchased through stabilization transactions in order to repay the borrowed units.

SMBC Nikko Securities Inc. plans to underwrite the allotment under this issuance of new units by a third-party allotment of number of FRI units obtained by deducting the number of units purchased through stabilizing transaction and syndicate cover transaction that are to be used to return the borrowed units, from the number of units to be offered in the over-allotment. For this reason, the units to be issued by third-party allotment may not be subscribed in whole or in part, and consequently, the subscription right will be forfeited and the final number of units with respect to the third-party allotment may be reduced to the same extent, or the issue itself may be suspended.

Whether the secondary offering by over-allotment is exercised and the number of units to be subscribed when the secondary offering by over-allotment is exercised will be determined on the Date for Determination of Issue Price etc. In case the secondary offering by over-allotment is not exercised, SMBC Nikko Securities Inc. will not borrow FRI units from Mitsui Fudosan. Consequently, in case the secondary offering by over-allotment is not exercised, SMBC Nikko Securities Inc. will not respond or apply for the third-party allotment and the subscription right will be forfeited and the issuance of new units by third-party allotment will not take place at all. Similarly, the syndicate cover transaction on the Tokyo Stock Exchange will not be exercised.

- (2) The transaction stated in Item 1 above shall be made by SMBC Nikko Securities Inc. in consultation with Daiwa Securities Co. Ltd.

### 2. Total Number of Units Issued and Outstanding after the New Issue

Number of units outstanding	194,000 Units
Increase in number of units by the primary offering	31,000 Units
Total number of units outstanding after the primary offering	225,000 Units
Increase in number of units by the third-party allotment	2,500 Units(*)
Total number of units outstanding after the third-party allotment	227,500 Units(*)

(\*) These figures are based on the assumption that the new units to be issued by the third-party allotment are all applied by SMBC Nikko Securities Inc.

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### 3. Rationale for Issue

The issuance of new units was decided in order to expand the asset size and to further improve the quality of portfolio and financial stability through acquisition of new specified assets (\*), and also to gain flexibility to acquire specified assets that are conducive to the medium to long term growth of the Investment Corporation while ensuring financial stability, after thorough examination of the real estate transactions, current market trend, levels of dividends and debt ratio (LTV).

(\*) For details regarding new specified assets, please refer to the press release titled "Notice Concerning Acquisition of Investment assets" also released today.

### 4. Total Amount to be Procured, Use of Proceeds and Scheduled Outlay Period

#### (1) Total amount to be procured (approximate net balance)

¥20,021,000,000 (Maximum)

Note: The above figure represents the sum of ¥18,527,000,000 in net proceeds from the primary offering and the ¥1,494,000,000 maximum net proceeds from the issuance of new units by third-party allotment. The above-mentioned amounts are estimated as of June 25, 2012.

#### (2) Specific use of proceeds and scheduled outlay period

Specific use of proceeds	Amount	Scheduled outlay period
Repayment of borrowings used for the acquisition of new specified assets	¥9,000,000,000	July 31, 2012
Repayment of other borrowings	Remaining funds	June 30, 2013

### 5. Designation of Distributes

Not applicable

### 6. Operating Forecasts

Please refer to the press release titled "Notice Concerning Operating Forecasts for the 17<sup>th</sup> Fiscal Period ending December 31, 2012" also released today.

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## 7. Asset Management Status and Equity Finance in the Past Three Business Periods

## (1) Distributions in the past three business periods

	Period ended December 31, 2010	Period ended June 30, 2011	Period ended December 31, 2011
Net income per unit <sup>(1)</sup>	¥18,233	¥18,478	¥18,598
Distribution per unit	¥18,195	¥18,478	¥18,599
Payout ratio <sup>(2)</sup>	99.9%	100.0%	100.0%
Net assets per unit	¥579,327	¥579,610	¥579,731

<sup>(1)</sup> The net income per unit is calculated based on the average number of units during the period.

<sup>(2)</sup> The payout ratio is rounded down to the first decimal place. The payout ratio of the period ended December 31, 2010 is calculated based on the following formula:

Payout ratio = Total dividend / Net income x 100. For the period ended December 31, 2010, unappropriated retained earnings for the period are partially booked as internal reserve.

## (2) Recent trends in unit price performance

## i Trends in unit price performance in the past three business periods

	Period ended December 31, 2010	Period ended June 30, 2011	Period ended December 31, 2011
Opening price	¥ 608,000	¥ 785,000	¥ 709,000
High	¥ 785,000	¥ 804,000	¥ 723,000
Low	¥ 590,000	¥ 555,000	¥ 615,000
Closing price	¥ 775,000	¥ 708,000	¥ 624,000

## ii Trends in unit price performance in the last six months

	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012
Opening price	¥ 649,000	¥ 629,000	¥ 613,000	¥ 667,000	¥ 678,000	¥ 681,000
High	¥ 670,000	¥ 638,000	¥ 695,000	¥ 682,000	¥ 695,000	¥ 685,000
Low	¥ 615,000	¥ 598,000	¥ 609,000	¥ 648,000	¥ 660,000	¥ 627,000
Closing price	¥ 624,000	¥ 609,000	¥ 665,000	¥ 678,000	¥ 677,000	¥ 671,000

## iii Unit prices on the business day immediately prior to the resolution date of the issuance

	June 22, 2012
Opening price	¥ 667,000
High	¥ 677,000
Low	¥ 666,000
Closing price	¥ 677,000

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### (3) Equity finance in the past three business periods

#### i Public offering

<b>Issuance date</b>	July 1, 2010
<b>Amount of raised funds</b>	¥ 18,331,904,000 (approximate net balance)
<b>Issue value</b>	¥ 572,872
<b>Number of outstanding units at the time of offering</b>	160,000 Units
<b>Number of outstanding units by abovementioned offering</b>	32,000 Units
<b>Total number of outstanding units after offering</b>	192,000 Units
<b>Initial use of funds at the time of issuance</b>	Acquisition of the specified assets(*) (* ) For details, please refer to the press release titled "Notice Concerning Acquisition of Investment Assets" released on June 14, 2010.
<b>Scheduled expenditure at the time of issuance</b>	Early July, 2010
<b>Current status of allocation</b>	The entire amount was allocated for repayment of the borrowings during the abovementioned payment period.

#### ii Third-Party Allotment

<b>Issuance date</b>	July 28, 2010
<b>Amount of raised funds</b>	¥ 1,145,744,000 (approximate net balance)
<b>Issue value</b>	¥ 572,872
<b>Number of outstanding units at the time of offering</b>	192,000 Units
<b>Number of outstanding units by abovementioned offering</b>	2,000 Units
<b>Total number of outstanding units after offering</b>	194,000 Units
<b>Initial use of funds at the time of issuance</b>	Partial repayment of borrowings
<b>Scheduled expenditure at the time of issuance</b>	To be determined
<b>Current status of allocation</b>	Allocated for repayment of the borrowings of September, 2010.

### 8. Limitations on sales and additional issues of investment units

- (1) Mitsui Fudosan and Mitsui Fudosan Frontier REIT Management Co., Ltd. are unitholders of the Investment Corporation, holding 14,600 units and 200 units, respectively. Both companies have agreed with the Lead Managers not to, without the prior written approval of the Lead Managers, sell any of the investment units for a period commencing on the Date for Determination of Issue Price etc. for the public offering and ending on the date six months after the date for delivery and settlement (except for Mitsui Fudosan where investment units are lent to SMBC Nikko Securities Inc. for the purpose of secondary offering by over-allotment).
- (2) In relation to the public offering, the Investment Corporation has agreed with the Lead Managers not to issue new investment units, without prior written consent of the Lead Managers, for a period commencing on the Date for Determination of Issue Price etc. for the public offering and ending on the date 90 days after the date for delivery and settlement (except for public offering, third-party allotment and unit issuance in case of unit split, etc).
- (3) In either of case (1) or (2) above, the Lead Managers have the right to cancel such agreement in

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whole or in part during the period or to shorten the period at their discretion.

- This document is released to media organizations through the “Kabuto Club” (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Press Club for the Ministry of Land, Infrastructure, Transport and Tourism Construction Paper.
- Frontier Real Estate Investment website : <http://www.frontier-reit.co.jp/eng/>

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